

# A Report on Your Money

## Budget Background

With 20 months left to go in the 2003-05 biennium, the state is working under a sound balanced budget with a projected general fund reserve of \$482 million – which is equivalent to about 2 percent of the budget.

I feel confident about the sustainability of the state budget at this time. While current forecasts hint at a recovery in the U.S. economy, Washington appears to be lagging behind, with our unemployment still among the highest in the nation and slow fiscal growth expected into 2005. Since budget revenues are tied closely to our economy, we expect tax collections to lag behind the historical rate of growth.

For that reason, it is especially important that we adhere to sound budget principles and ensure a sustainable level of spending with responsible reserves to protect against the need for tax increases.

## What are the risks?

Increases in spending needed for such things as rising medical costs, higher school enrollment and prison populations, flood damage, etc., will require additional expenditures beyond what we expected when this budget was drafted in April. A more accurate forecast will be available during the legislative session, but at this point it appears that we will have about \$300 - \$350 million of added requirements. Simply, these are bills that need to be paid.

Adjustments such as these are common at the mid-point in a two year budget cycle. That's why the Legislature must always provide a budget reserve when drafting the two year budget. With these anticipated bills and a reserve of only \$482 million you can see that this year's additional bills will leave a pitifully small reserve to cover next year's unforeseen expenses.

While the Legislature succeeded this year in closing a \$2.7 billion shortfall without significant tax increases, the small reserve and continued slow economy means the budget remains in a delicately balanced position. Another small dip in the economy, or disastrous flood, or extreme fire season, could be sufficient to tip the budget out of balance.

The Legislature needs to exert strong discipline on new spending in the 2004 supplemental budget. Demands to peel back savings obtained in the original budget and to initiate new spending programs must be resisted. Supplemental budget items should be limited to making necessary adjustments for unforeseen circumstances and taking advantage of one-time opportunities for initiatives that do not drive new spending into the next biennium.

To retreat from the spending control achieved this year risks a tax increase or at best risks leaving the state with a deficit in the next budget cycle. Neither result is constructive in our efforts to reinvigorate the state's economy and restore the public's trust in state government.

## Who is demanding tax increases?

Unions representing public employees and teachers and advocates for a variety of public institutions and services have already begun their campaigns for higher wages and expanded programs. Some of their requests are valid. Some will be painful to deny.

With the budget balanced so precariously it's easy to see that any increased spending must be paid for from one of two sources: equivalent cuts to current services, or an equivalent tax increase. None of the interest groups asking for large spending increases propose equally large cuts to education, care for those in need, or already poorly funded areas like state parks. Since education and care for those in need account for just under 90 percent of the state's budget, those areas cannot be exempted from major cuts.

## Higher taxes or more jobs?

I'm extremely pleased with the Legislature's efforts to balance the budget this past year without raising taxes. I'm also happy the 2003 Legislature made several needed improvements to the business climate in Washington. Our economy will return to health when business is again thriving. High unemployment will only be eliminated when businesses are healthy and hiring. Only when Washington businesses are again prosperous will Washington families regain prosperity.

However, with slow growth in revenue, some lawmakers are seeking to raise taxes for activities such as research and development in high-technology industries that provide good paying jobs. Raising business taxes will not cause a single employee to be rehired. Raising business taxes when businesses are already struggling is illogical on its face.



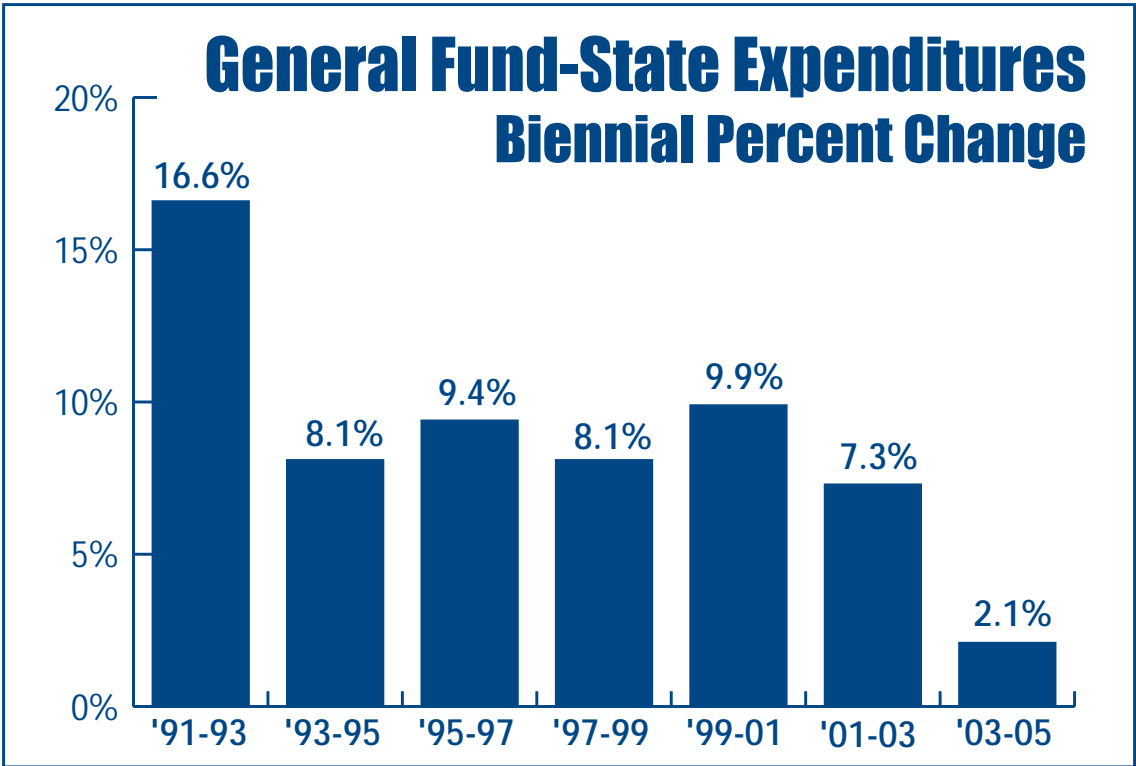
## I'd like to hear from you

If you have questions regarding issues addressed here or any other issues that arise as the 2004 session moves forward, please contact me and I'll be happy to reply. Also, if you're having trouble dealing with state government agencies, I may be able to help you. It's my privilege to serve you, as well as represent you.

### Barry Sehlin

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The two-year operating budget approved in June represents 2 percent growth in spending over the previous biennium, the slowest rate of growth in 40 years.

BUDGET FACTS

- In 2003, lawmakers closed a \$2.7 billion budget deficit without raising taxes.
- The current budget provides reserves of \$482 million.
- 2003 budget achievements:
  - ✓ Maintained health care for children up to 250 percent of the poverty level...
  - ✓ Provided pay increase for home health care workers...
  - ✓ Protected services for developmentally disabled and troubled youth...
  - ✓ Increased funding for education.
- 2004 budget challenges:
  - ✓ Meet rising health care costs
  - ✓ Fund unexpected increases in school enrollment and prison populations.
  - ✓ Resist spending pressure from special interests.



Rep. Sehlín serves as Ranking Republican on the House Appropriations Committee, which is in charge of drafting the state operating budget and dealing with all legislation that requires an expenditure.

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10th Legislative District

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November 2003

Dear Friends,

Earlier this year the Legislature successfully adopted a bipartisan no-new-tax budget for the next two years. Lawmakers would do well to take a do-no-harm approach to the 2004 legislative session. Many lawmakers worked hard to keep faith with the taxpayers and fought the pressures of special interests in developing the two-year spending plan now in place.

It was not only important to avoid tax increases but to restore faith with the citizens we serve by forcing government to share in the challenges of these difficult economic times. Families have had to make hard decisions and government should do the same. In the face of a \$2.7 billion deficit, we adopted a bipartisan operating budget that requires no new general fund taxes. Keeping a balanced budget and resisting new spending initiatives in the middle of this budget cycle will be the true test of the Legislature's resolve to do right by the taxpayers of Washington.

This newsletter outlines the budget issues that will likely surface in the upcoming session that could affect the way your tax dollars are spent. As always, I welcome your questions and concerns regarding these and other legislative issues. I'm also happy to assist you in your dealings with state government, so please contact me if I can help.

Sincerely,

Barry Sehlín, State Representative

